

Public Policies

Published by the Missouri Department of Insurance

P.O. Box 690, Jefferson City, MO

Vol. VII, No. 6

September 2003

\$1 billion distribution begins to divide proceeds from MetLife's purchase of General American

*Checks to more than 285,000 – including almost 35,000 Missourians –
are first phase in liquidating assets from 2000 sale*

In this issue

*Missourians' 2001 auto insurance
rates 12 percent below national
average...p. 3*

*September "Insurance Education for
Teens Month"...p. 4*

Regulatory actions....p. 6

Public Policies

published by

Missouri Department of Insurance
301 W. High St. - P.O. Box 690
Jefferson City, MO 65102-0690

Gov. Bob Holden

Director: Scott B. Lakin

Editor: Randy McConnell

Associate Editor: Melissa Becker

Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

**Comments or questions,
call 573-526-2946.**

Checks totaling almost \$1 billion have been sent to more than 285,000 individuals and businesses as the first distribution from their share of the 2000 sale of General American Life Insurance Co. to MetLife, Director Scott Lakin said.

Those persons and firms were General American Life policyholders, who in turn owned the mutual holding company that controlled the St. Louis insurer.

The distribution is the first phase in liquidating assets from the sale. Lakin had not distributed the proceeds earlier because MetLife placed a three-year lien on the proceeds to cover any liabilities still owed by the previous ownership.

Lakin said members will receive a final distribution after payment of taxes that the company owed before 2000, litigation on expenses that MetLife wants the previous owner to pay and the outcome of a major malpractice lawsuit against General American Life's former accounting firm.

Since the \$1.2 billion sale became final in January 2000, the General American Mutual Holding Co. operation – headed by former state appellate Judge Albert Riederer of Kansas City – has invested the proceeds to increase the assets by \$167 million. That net increase occurred despite declines in stock market and bond performance, after covering all administrative costs.

(See General American, p. 2)

Holden names patient safety commission to help reduce medical errors in Missouri

Gov. Bob Holden created a 17-member Missouri Commission on Patient Safety to improve the quality of health care and further reduce the number of medical malpractice claims in the state.

"Despite the recent upsurge in attention to malpractice litigation in the state and how to reduce the cost for physicians, the best outcome for all concerned is the prevention of medical errors that have devastating effects on the physical, emotional, professional and financial well-being of patients and families," Holden said.

Establishment of the commission is another aspect of the administration's multi-faceted approach to resolving availability and affordability problems with medical malpractice insurance in Missouri.

(See Patient safety, p. 5)

General American

(continued from page 1)

In 1999, General American Life was preparing for an initial public offering when a high-risk product line collapsed and created a liquidity crisis that threatened the venerable insurer's viability. MDI assumed supervision of the firm and arranged the sale to MetLife, the only bidder, to preserve the value of policies and annuities as well as the company's equity for policyholders.

By law, Lakin managed the proceeds and liquidation as the statutory receiver.

"The mailing of these checks provides the beginning of a happy ending for these policyholders, whose life insurance, annuity and disability benefits were at risk only four years ago," said Lakin.

"This \$1 billion, plus hundreds of millions likely to come, are windfalls in addition to the value of their original policies and other General American investments, which now are safe under MetLife management."

Missouri Gov. Bob Holden said he's pleased the state has prudently and professionally managed these assets as part of the largest liquidation of its kind in state history.

"I commend the management of this liquidation for aggressively pursuing and safeguarding the best financial interests of these policyholders, who include almost 35,000 Missourians," said Holden, who managed the state of Missouri's investments during eight years as state treasurer.

"Many of us wish we could have seen that kind of gain on our own investments during the recent economic downturn."

On Sept. 9, MDI began mailing checks to 285,472 policyholders, which includes corporations that bought group policies as well as individuals. The mailing is expected to take 10 business days to complete.

Of the total, 34,531 Missourians will receive checks totaling \$145.8 million. Among other states with substantial concentrations of recipients, 42,045 Texans will share in the distribution while 27,139 checks are going to Californians. General American Life had policyholders from around the world – including one in Dubai – who will share in the proceeds.

Policyholders were notified in April about their prospective shares of the \$1 billion distribution, which Cole County (MO) Circuit Judge Thomas J. Brown approved in February. Only 191 objected, and payment of their shares has been delayed until the court rules on those cases.

Policyholders who still have questions about their checks can contact the distribution center at 1-800-569-4721.

Those participating in the distribution held General American Life Insurance Co. policies as of Jan. 5, 2000 – the last day before the sale became final.

The sale did not affect the policyholders' contracts, which continued in effect under MetLife's ownership. Those individuals and companies since may have cashed in or allowed their policies to lapse, but their ownership stake in General American Mutual Holding Co. and the sales proceeds remains unchanged.

Shares of the distribution are based on a complex actuarial formula that calculated how each policy contributed to the company's profitability.

General American Life was released from MDI supervision when the sale was completed and now operates in good standing in Missouri.

NOTE: General American Life Insurance Co. originally was a regular mutual insurer in which current policyholders directly owned the firm. After a change in Missouri law in the 1990s, the corporate structure was changed so that the policyholders owned shares of General American Mutual Holding Co., which in turn owned General American Life.

General American Mutual Holding Co. sold the life insurer to MetLife, and by law, Lakin as director is the statutory receiver or liquidator in making a final distribution of assets and sales proceeds to the holding company's "members." ❖

MDI obtains permanent injunction barring unlicensed malpractice sales

Caribbean insurer was central to June promotions by St. Louis Medical Society, Kansas City company

A Cole Co. Circuit Court judge has granted the Missouri Department of Insurance (MDI) a permanent injunction that prohibits a Virgin Islands-based insurer from soliciting or making medical malpractice sales until it has a proper license or otherwise meets Missouri legal requirements.

MDI sought the order in June against Security Trust Insurance Co., Ltd. and its affiliate Ameristar Ltd., after both the St. Louis Metropolitan Medical Society and a Kansas City company began promoting the insurer's medical malpractice plans to hundreds of Missouri doctors.

"When lines of business like medical malpractice are having both affordability and accessibility problems, consumers like doctors may find it extremely tempting to buy coverage, often at rock-bottom prices, from unauthorized companies," said Scott Lakin, the MDI director.

"In this instance, MDI investigators found that doctors had submitted applications for insurance, but fortunately no policies had been sold before the department took legal action last June. Our first responsibility is to make sure that consumers are protected by limiting the Missouri market only to legitimate insurers that are properly regulated on their ability to pay claims."

Security Trust and Ameristar agreed to the permanent injunction. Cole Co. Circuit Court Judge Richard Callahan's order prohibits any insurance sales by the concerns until:

- They obtain a Missouri insurance license; or

- They become authorized Missouri "surplus lines" carriers, which requires them to first obtain licenses in the U.S. Virgin Islands, their domiciliary jurisdiction, and demonstrate they have the

(See *Malpractice injunction*, p. 3)

Missourians' 2001 auto insurance rates 12 percent below national average

A National Association of Insurance Commissioners (NAIC) study this week showed Missourians paid an average of \$634 a year per car, or 12 percent below the national average of \$718.

The figures are based on more than 3.6 million vehicles insured in 2001.

Missouri ranked No. 31 in overall costs among all the states and District of Columbia. The average costs for insuring an auto in Missouri rose 3.5 percent from 2000.

"Missourians benefit from healthy competition for their auto insurance dollar, which they can stretch a long way compared to other Americans," MDI Director Scott Lakin said. "Last year, 131 companies wrote more than \$1 million in coverage, and 250 were active in the private passenger auto market."

Unlike homeowners, medical malpractice, commercial property and even health insurance, premiums for auto coverage have not risen rapidly in recent years, even with the loss of investment income after the stock market peaked in 2000.

Those trends continued in 2002. Among the top 11 auto insurers in the state – which write two-thirds of all the business in the state – rates increased 4.5 percent last year.

Missouri does not regulate auto insurance rates, unlike many Eastern states.

Among the 50 states and District of Columbia, Missouri also ranked:

- 32nd for insuring autos for the full package of comprehensive, collision and liability coverage. Missouri costs totaled \$737 in 2001, compared to \$817 across the country.

- 33rd for liability coverage at \$339 v. \$412 nationwide. Missouri requires auto owners to carry \$25,000 per person and \$50,000 per accident for treating bodily injuries and \$10,000 for property damage when their vehicle is at fault in an accident; prudent owners carry higher amounts.

- 21st in collision coverage, which covers damages to the policyholder's car, whether or not he or she is responsible. About two-thirds of Missouri drivers carry that protection, which cost an average of \$265 in 2001, compared to \$271 across the country.

- 26th in comprehensive coverage at a cost of \$133 in Missouri, which was exactly the national average. Comprehensive coverage repairs damages caused by weather and other acts of God, vandalism, road hazards and collisions with animals.

Missouri rank on these cost items has remained relatively stable in recent years.

Lakin is a member of the NAIC, a Kansas City-based organization that includes all state and territorial insurance regulators.

MDI makes numerous resources available for residents who are shopping for auto insurance, including Internet cost comparison guides that show the rates available for about 50 Zip Codes in communities across the state. The Internet site's address is www.insurance.mo.gov. Similar information is available in printed form by contacting the MDI Consumer Hotline at 1-800-726-7390.

MDI also produces other consumer aids available on the Web or in hard copy, including a guide for auto insurance buying, special discounts by company and a directory, with contact information, of companies selling policies by county, especially those large enough to have local agents available.



Malpractice injunction

(continued from page 2)

financial ability to pay claims. The companies are not licensed in the Virgin Islands, although they have been trying to do so.

Besides the St. Louis Metropolitan Medical Society, Security Trust/Ameristar coverage was promoted by the Kansas City Physicians Organization, a private venture.

MDI continues its investigation of licensees that were involved in the case.

Also named in the permanent injunction were the American Association of Healthcare Practitioners and Palladium International, New England-based enterprises that were part of the Internet sales apparatus for the operations.



State Insurance department makes Internet tools available for high school teachers, students

*Holden proclaims September
"Insurance Education for Teens Month"*

Did you know...

...An auto accident goes on *your* insurance record (and your premiums likely increase) if you loan your car to a friend who wrecks it?

...You are *personally* liable for damages that cost more than the state's minimum needed to get license plates? (Many cars on the road are worth more than \$10,000, the greatest property damage under a minimum state liability policy.)

...If you allow your auto policy to lapse for more than 30 days, you may have to pay much more for coverage as a "high-risk" driver?

The Missouri Department of Insurance is spreading the word about insurance basics in everyday life with new Internet teaching tools that students can use independently or teachers can adapt to the classroom.

Gov. Bob Holden also has declared September "Insurance Education for Teens Month" to help promote "teaching Missouri youth about the importance of purchasing insurance wisely" and avoiding problems after auto accidents, illness and other personal crises.

"The best consumers are well educated about their needs, the array of benefits that insurers can provide and the most common pitfalls and misconceptions about insurance coverage," said Scott Lakin, a former agent and ex-state legislator who heads the Missouri Department of Insurance.

"We are expanding our efforts to inform Missouri's youth and increase the quality of materials available for teaching about insurance basics. It's not flashy — but smart insurance coverage is vital to protecting the financial future for yourself and your family today."

Working with the Governor's Youth Cabinet — students who advise Gov. Holden on public policy — MDI

staff developed the materials now available at insurance.mo.gov/consumer/teens. Teachers who use this material are encouraged to provide feedback by completing the surveys on the Web site.



The curricular supplements include areas on:

- **General insurance topics**, like how deductibles function. (Deductibles increase or lower premiums because they adjust the out-of-pocket expenses not covered by insurance companies for insurance claims.)

- **Auto insurance** — the area in which most teens likely have their first close contact with insurance coverage, its costs and the responsibilities involved.

- **Renters and homeowners insurance**. As students and workers leave their parents' homes, teens likely will encounter the need for renters insurance, which covers personal belongings and injuries on the premises and provides low-cost protection.

"The best consumers are well educated about their needs, the array of benefits that insurers can provide and the most common pitfalls and misconceptions about insurance coverage," said Scott Lakin, a former agent and ex-state legislator who heads the Missouri Department of Insurance.

- **Health insurance**. While most high-school students are carried on their parents' policies, the rising cost of health insurance may force college students and young workers to consider other options as they grow older, and insurers are cracking down on fraud that occurs when parents carry children past policy age limits.

Lakin said teachers in family and consumer education classes may contact John Korte at 753-751-1949 for more information about MDI resources or to arrange guest speakers on insurance issues.

Lakin said the National Association of Insurance Commissioners — his national trade group — will make more information available as part of "Get Smart Week" in January.

The MDI Web site also provides links to other sources of insurance information, assistance for educators and a list of colleges that provide insurance majors.



Patient safety

(continued from page 1)

"This is a highly qualified group of Missourians who can identify both immediate and long-term ways to elevate overall medical standards and outcomes in the state," Holden said. "All the national studies indicate that the overwhelming majority of medical malpractice victims do not file insurance claims or lawsuits, and their needs have not been addressed in the current public debate."

Holden and the Missouri Department of Insurance earlier backed a package of legislative changes to reform the insurance industry and reverse a court ruling that effectively struck down Missouri's longstanding cap on non-economic damage awards. The department in July authorized establishment of a state-sponsored insurance program to provide coverage for specialties that are having difficulty obtaining coverage in the current market.

Holden said he expects the Commission on Patient Safety to make a report in 2004 on any legislative and administrative changes that the state should address. He said he plans to give the commission time to study and recommend improvements in several areas, including voluntary hospital protocols, innovative professional training, patient education, and other methods for improving patient safety.

Serving as chairman of the commission is Gregg R. Laiben, M.D., medical director since 1997 for the Missouri Division of Medical Services, which oversees the state Medicaid program, and medical director of MissouriPRO, which oversees quality of care for Missouri Medicare recipients. Dr. Laiben is a member of the American College of Medical Quality and a frequent speaker regarding peer review and quality improvement.

Also named to the commission were:

- **Vice-chairman Kathryn Nelson**, Columbia, patient safety director for the two hospitals and 59 clinics associated with University of Missouri Health Care.
- **William C. Schoenhard**, St. Louis, executive vice president and chief operating officer of SSM Health Care.
- **Alan H. Morris, M.D.** of St. Louis, who has been active in the American Academy/Association of Orthopedic Surgeons initiatives on patient safety while serving for 33 years in private practice.
- **Susan M. Kendig**, Chesterfield, a clinical assistant professor at the University of Missouri-St. Louis College of Nursing and Health Studies.
- **Pamela L. Marshall**, St. Louis, who oversees pharmacy operations and development of 28 Walgreen's Co. stores in north St. Louis County.
- **Nancy L. Kimmel**, St. Louis, patient safety specialist with Missouri Baptist Medical Center, an affiliate of BJC

Healthcare, which is the state's largest hospital network. She also has a degree in pharmacy.

- **Stephen R. Smith, M.D.**, Ballwin, an anesthesiologist with Western Anesthesiology Associates who also is affiliated with St. John's Mercy Hospital.

- **Deborah Ann Jantsch, M.D.**, Kansas City, a managing partner with Midwest Women's Healthcare PC, an obstetrics/gynecology practice, and former president and current director of the Metropolitan Medical Society of Greater Kansas City.

- **Thomas P. Cartmell**, Kansas City, a defense counsel and founding partner with Wagstaff and Cartmell, L.L.P., who specializes in business, product liability, malpractice and employment litigation for clients ranging from insurance companies and brokerages to health care organizations.

- **James H. Utley, M.D.**, Kansas City, medical director for Coventry Health Care of Kansas Inc. – the largest health maintenance organization in the Kansas City metropolitan area.

- **M. Steven Brown**, Creve Coeur, an assistant attorney general under Attorney General Jay Nixon, who assisted with creation of the Missouri Foundation for Health – the state's largest health-care foundation.

- **Kenneth Vuylsteke**, St. Louis, a plaintiff's attorney and chairman of the Missouri Association of Trial Attorney's health law committee.

- **Barry D. Spoon, D.O.**, Springfield, a member and former president of the State Board of Healing Arts, is affiliated with St. John's Hospital system.

- **James Joseph Buchanan, D.O.**, a family practice physician in Farmington, MO and former medical director of a chemical dependency program at Mineral Area Regional Medical Center.

- **Dick Dunn**, director of the Missouri Department of Health and Senior Services.

- **Scott Lakin**, MDI director, who along with the Department of Health and Senior Services, will provide staff support for the commission. Lakin recommended establishment of the commission in a special report earlier this year to Holden.

The executive directors of the Missouri Board of Healing Arts, Board of Nursing, and Board of Pharmacy will serve as ex-officio, non-voting members of the commission.



Regulatory actions –

July & August 2003

Legal action - agents, agencies, brokers, companies

Brian J. Kitrel, Arnold, MO, producer license refused for convictions relating to stealing and bad checks.

Acceleration National Insurance Co., Columbus, OH, certificate of authority revoked.

Baltimore Life Insurance Co., Owings Mills, MD, \$1,000 forfeiture for inaccurate data filing.

Heritage Insurance Managers, Inc., San Antonio, TX, certificate of authority suspended.

Kansas City Life Insurance Co. of KC, Kansas City, MO, acquired 100% of the capital stock of *GuideOne Life Insurance Co.*, Des Moines, IA.

Managedcomp, Inc., Woburn, MA, certificate of authority revoked.

Pafco General Insurance Co., Indianapolis, IN, certificate of authority suspended.

Phoenix Title Co., St. Charles, MO, \$2,250 forfeiture for demonstrating lack of competency.

Preferred Administrative Services, Inc., Kansas City, MO, certificate of authority suspended.

Security Indemnity Insurance Co., Neptune, NJ, certificate of authority suspended.

Villanova Insurance Co., Philadelphia, PA, certificate of authority revoked.

Market Conduct

Aetna Life Insurance Company

151 Farmington Avenue
Hartford, CT 06156

Fine - \$35,280

Missouri Market Conduct Examination # 0112-04-LAH

Allianz Life Insurance Company of North America

5701 Golden Hills Drive
Minneapolis, MN 55416-1297

Missouri Market Conduct Examination # 0302-04-LAH

Combined Insurance Co. of America

1000 Milwaukee Ave.
Glenview, IL 60025

Fine - \$27,229

Missouri Market Conduct Examination # 0125-08-LAH

Combined Specialty Insurance Company

175 West Jackson
Chicago, IL 60604

Fine - \$28,975

RE: Missouri Market Conduct Examination # 0225-10-PAC

Continental Assurance Company

Chicago, IL
0231/12/PPE

Fine - \$1,901

Conseco Direct (Colonial Penn Life)

0217/07/LAH

Cure Order

Cox Health Systems

Springfield, MO
0201/01/HMO

Fine - \$37,100

First Guard Health Plan

Kansas City, MO

Forfeiture: \$37,650

Gateway Insurance Company

St. Louis, MO 63144

Report Number 0223-10-PAC

Humana Health Care Plans

10450 Holmes
Kansas City, MO 64131-3471

Fine - \$114,650

Mercy Health Plans of Missouri, Inc.

Chesterfield, MO
0304/11/PPE

Fine - \$100,160

Principal Life

Des Moines, IA
0302/07/PPE

Fine - \$33,947

United Investors Life

Birmingham, AL 35202
0220/09/LAH

Fine - \$7,074

(See regulatory actions, p. 7)

regulatory actions

(continued from page 6)

Financial Exams

Aetna Health Inc., Blue Bell, PA.

Caterpillar Insurance Co., Nashville, TN.

Employers Reinsurance Corp., Overland Park, KS.

ERC Life Reinsurance Corp., Overland Park, KS.

First Specialty Insurance Corp., Overland Park, KS.

National Alliance Insurance Co., Hazelwood, MO.

Westport Insurance Corp., Overland Park, KS.

Company Changes

Acceleration National Insurance Co., Columbus, OH, certificate of authority revoked.

Abraham Lincoln Insurance Co., Springfield, IL, merged with *Universal Guaranty Life Insurance Co.*

Acceptance Insurance Co., Bluffs, IA, was removed from the approved reinsurer list.

Aetna Inc., Fairfield, NJ, withdrew as a third party administrator (TPA).

Agri-Business Insurance Co., Lubbock, TX, redomesticated from Iowa to Texas.

Appalachian Life Insurance Co., Springfield, IL, merged with *Universal Guaranty Life Insurance Co.*

Associates Financial Life Insurance Co., Fort Worth, TX, merged with *American Health and Life Insurance Co.*

Attenta, Inc., Birmingham, AL, was admitted as a third party administrator (TPA).

Ausa Life Insurance Co., Purchase, NY, changed its name to *Transamerica Financial Life Insurance Co.*

Childrens Mercy Family Health Partners Inc., Kansas City, MO withdrew as a TPA.

Connecticut Specialty Insurance Co., Alapretta, GA, changed its name to *AXIS Specialty Insurance Co.*

Conseco Medical Insurance Co., Chicago, IL, merged with *Washington National Insurance Co.*

Conseco Variable Insurance Co., Louisville, KY, changed its name to *Jefferson National Life Insurance Co.*

Corporate Diversified Services, Inc., Omaha, NE, voluntarily surrendered its license as a TPA.

CNA ClaimPlus, Inc., Chicago, IL, was admitted as a TPA.

Fidelity Excess & Surplus Insurance Co., Richmond, VA, changed its name to *James River Insurance Co.*

FMH Mutual Insurance Co., Omaha, NE, changed its name to *MAMIC Mutual Insurance Co.*

GAB Robins Risk Management Services, Inc., Parsippany, NJ, certificate of authority was lifted.

Heritage Insurance Managers, Inc., San Antonio, TX, certificate of authority as a TPA was suspended.

IL Annuity and Insurance Co., Indianapolis, IN, merged with *Indianapolis Life Insurance Co.*

Jamestown Insurance Co. RRG, Charleston, SC, was registered as a risk retention group.

Insurance Corp. of New York, New York, NY, withdrew as a TPA.

Insurance Management Associates, Inc., Wichita, KS, withdrew as a TPA.

John P. Pearl & Associates Ltd., Peoria, IL, changed its name to *Pearl & Associates Ltd.*

Legion Insurance Co., Philadelphia, PA, certificate of authority was revoked.

Life Insurance Co. of the Southwest, Dallas, TX, added variable contracts authority.

Medical Liability Mutual Insurance Co., Latham, NY, voluntarily withdrew as a TPA.

Ministers Life Insurance Co., St. Paul, MN, changed its name to *Securian Life Insurance Co.*

Mitsui Sumitomo Insurance USA, Inc., Warren, NJ, changed its name to *Mitsui Sumitomo Insurance USA Inc.*

Mynd Corp. f/k/a Financial Administrative Services Inc., Kansas City, MO, withdrew as a TPA.

New Era Life Insurance Co. of the Midwest, Houston, TX, redomesticated from Indiana to Texas.

Northbrook Property and Casualty Co., Purchase, NY, changed its name to *St. Paul Protective Insurance Co.*

Northwestern National Casualty Co., Trenton, NJ, merged with *Highlands Insurance Co.*

PAFCO General Insurance Co., Indianapolis, IN, certificate of authority suspended.

Pioneer Life Insurance Co., Chicago, IL, merged with *Washington National Insurance Co.*

Prudential Health Care Plan, Inc., Hartford, CT, changed its name to *AET Health Care Plan, Inc.*

Republic Vanguard Life Insurance Co., Addison, TX, changed its name to *Scor Life Insurance Co.*

St. Elizabeth Mutual Insurance Co., St. Elizabeth, MO, converted from a Part I Missouri Mutual to a Part II Missouri Mutual.

St. Luke's Health System Risk Retention Group Inc., Charleston, SC, was registered as a risk retention group.

Security Indemnity Insurance Co., Neptune, NJ, certificate of authority suspended.

Sheffield Insurance Co., Alapretta, GA, changed its name to *AXIS Surplus Insurance Co.*

Sumitomo Marine & Fire Insurance Co. of America, Warren, NJ, changed its name to *Mitsui Sumitomo Insurance Co. of America.*

Universal Life Insurance Co., Birmingham, AL, redomesticated from Tennessee to Alabama.

Verlan Fire Insurance Co., Silver Spring, MD, was admitted with property and liability authority.

(See regulatory actions, p. 8)

regulatory actions

(continued from page 7)

Villanova Insurance Co., Philadelphia, PA, certificate of authority was revoked.

Wasau General Insurance Co., Wausau, WI, withdrew as approved surplus lines company.

Western Diversified Life Insurance Co., San Diego, CA, changed its name to *American Specialty Health Insurance Co.*

Wisconsin The Old Life Insurance Co. of America, Houston, TX, merged with and into *American General Life Insurance Co.*

Worldwide Insurance Co., Meriden, CT, changed its name to *Response Worldwide Insurance Co.*



Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690